EXP Resources Ltd.

1997
Annual Report

CORPORATE AIMS

- to create shareholder value through the discovery of gold in West Africa
- to be in production, with or without a partner, within five years
- to obtain production from more than one country in the region

MISSION STATEMENT

- to become the investment of choice for exposure to quality gold projects in West Africa

CORPORATE OVERVIEW

EXP RESOURCES LTD. is a Canadian-based gold exploration and development company focussed on opportunities in West Africa. Through an option agreement, it has established a substantial land position in an under-explored, highly prospective, Birimian greenstone belt in Niger. Its experienced management team is also actively searching for potential acquisitions, joint ventures and strategic alliances throughout West Africa, with the aim of adding strength and diversity to the Company's portfolio. This search has recently resulted in the acquisition of an option on the Chichiwere property in Ghana.

In Niger, EXP can earn an undivided 60% interest in the Tin Awati concession by spending US$4 million over three years. To the end of 1997, EXP had expended approximately US$1.6 million in exploration on the property, identifying several excellent targets for gold mineralisation in similar geology to that associated with two significant recent gold discoveries in other greenstone belts in Niger. The Company has designed a follow-up programme to define drill targets in the next phase of work, to be carried out in 1998.

The common shares of EXP trade on the Alberta Stock Exchange under the symbol "EXP".

At December 31, 1997, 5.1 million shares were issued and outstanding; after conversion of special warrants in February and April, 1998, the total outstanding shares amounted to 10.9 million.

PRESIDENT'S MESSAGE

The year 1997 was one of great progress for EXP, yet one of corresponding difficulty. As examples of both aspects of our experience, I note that your Company's common shares were listed and called for trading on the Alberta Stock Exchange, after somewhat lengthy preliminaries, on August 26, 1997, just as the markets were turning emphatically south in the aftermath of the Bre-X affair and the unrelated collapse of the gold price. Our year in microcosm!

Exploration work in 1997 on the Tin Awati concession in Niger, under our option agreement with Proma Minerals A.S. (Proma) of Norway, gave us very encouraging results and confirmed the potential of the area to host economic gold deposits. We had expended approximately US$1.6 million on exploration of the concession by the end of 1997.

Within the Birimian Gorouol Greenstone Belt we have outlined, in the Soulougou area, a 48km strike length metasedimentary sequence which shows many geological similarities to the Samira discovery of Etruscan Resources Ltd. in the Sirba Greenstone Belt 100km to the southeast. We have established strong gold geochemical anomalies from alluvial sampling in 30 areas over the northern half of the Soulougou metasedimentary sequence, despite the presence of variable thicknesses of wind-blown sand which acts to depress the absolute values of alluvial geochemical samples.

These anomalous areas clearly justify follow-up. To date, our coverage of Soulougou is incomplete, with practically all of the southern half of the belt still to be sampled, so the full potential of this area is not yet apparent. New sampling techniques, some of them developed in Australia, are available to "see through" sand cover and we will be testing these in the field this year.

Our initial follow-up on the existing artisanal mining sites (orpaillages) on the concession has not led to the definition of drill targets. The interpretation of our results in these areas has been complicated by the presence of strong metal depletion in the upper part of the weathered bedrock (saprolite) in the area. This phenomenon is well known from a number of areas in neighbouring Burkina Faso and Mali, where the upper parts of the saprolites have been depleted in gold and other metals by the weathering process, and it appears to be occurring in Niger.

Therefore, although the results that we obtained from the artisanal sites do not, on the face of it, indicate any potential for the development of economic deposits in these areas, surface metal depletion could be masking the potential at depth. We need to sample a complete profile through the saprolite and confirm whether or not this effect is occurring, and this is planned for the next phase of work.

It is clear to us, however, that geochemistry is still the technique of choice for exploration for gold in West Africa. Our programme for 1998 will include soil and termite mound sampling, in addition to the testing of the Mobile Metal Ion (MMI) method which has been shown to work elsewhere in similar sand cover conditions. We expect to define targets for drill follow-up on Tin Awati in the third quarter of 1998, with drilling commencing in the fourth quarter.

In common with most junior companies, EXP is dependent for its exploration funding on the stock market. When the Company's shares were listed in August 1997, the market conditions were not conducive to the raising of money for early stage exploration properties such as Tin Awati, despite

the generally favourable reception given to our story from a technical point of view. While it is fair to say that the market has improved since then, it remains very difficult to fund grass roots exploration programmes and management has been, and continues to be, very active in seeking more advanced properties elsewhere in West Africa to broaden your Company's portfolio and its appeal in the marketplace.

Since year end we have successfully negotiated an option to earn up to a 66.67% interest in the Chichiwere property in Ghana from the current owner Carlin Resources Ltd. by making exploration expenditures of up to US$3 million (of which the first US$1.5 million must be expended within three years) and making cash payments to Carlin of US$150,000 in three tranches over the first year. Chichiwere lies 40km along strike to the northeast of the Bibiani mine, which is currently being prepared for production by Ashanti Goldfields Corp. Drill targets already defined by Carlin will be confirmed and prioritised by EXP in the second quarter of 1998, with the expectation that drilling will be underway in the second half of the year.

Within the past few months, management's efforts to secure financing for the exploration programmes on both Tin Awati and Chichiwere have begun to bear fruit. In March we reached an agreement in principle to acquire a private Ontario corporation whose main asset is Cdn$420,000 in cash. At the same time we arranged a private placement of Cdn$790,000 to pay amounts owing to all existing creditors of the Company. As a result, the Company will be able to recommence exploration operations with a clean balance sheet.

Following these two transactions, we are continuing discussions with potential investors for further private placements of approximately Cdn$600,000 into the Company. If these financings are completed, the Company will have over Cdn$1,000,000 available for exploration work. The market for financing of junior explorers remains very difficult. Nevertheless, we believe that, based upon the quality both of the projects which EXP has and of its management and Board members, our discussions will lead to a successful conclusion.

I would like to pay tribute to the tenacity and commitment of all of our people throughout this trying year. Without their continued efforts and dedication, and the strong support of the founding shareholders, your Company would not have survived through these difficult times. That it has done so, and is able to face the future with considerable optimism, is an achievement of which we should all be proud.

I must also thank the shareholders for their patience. Even in good markets, companies are not built overnight, and these have been far from good markets. Your Company has, however, shown remarkable resilience this year. Based on the excellent exploration results in 1997, we are now able to look forward to exciting developments in 1998 as we grow EXP towards our goal of becoming the investment of choice in West African gold exploration.

On behalf of the Board of Directors,

Neil D. S. Westoll
President and Chief Executive Officer

May 12, 1998

THE TIN AWATI CONCESSION

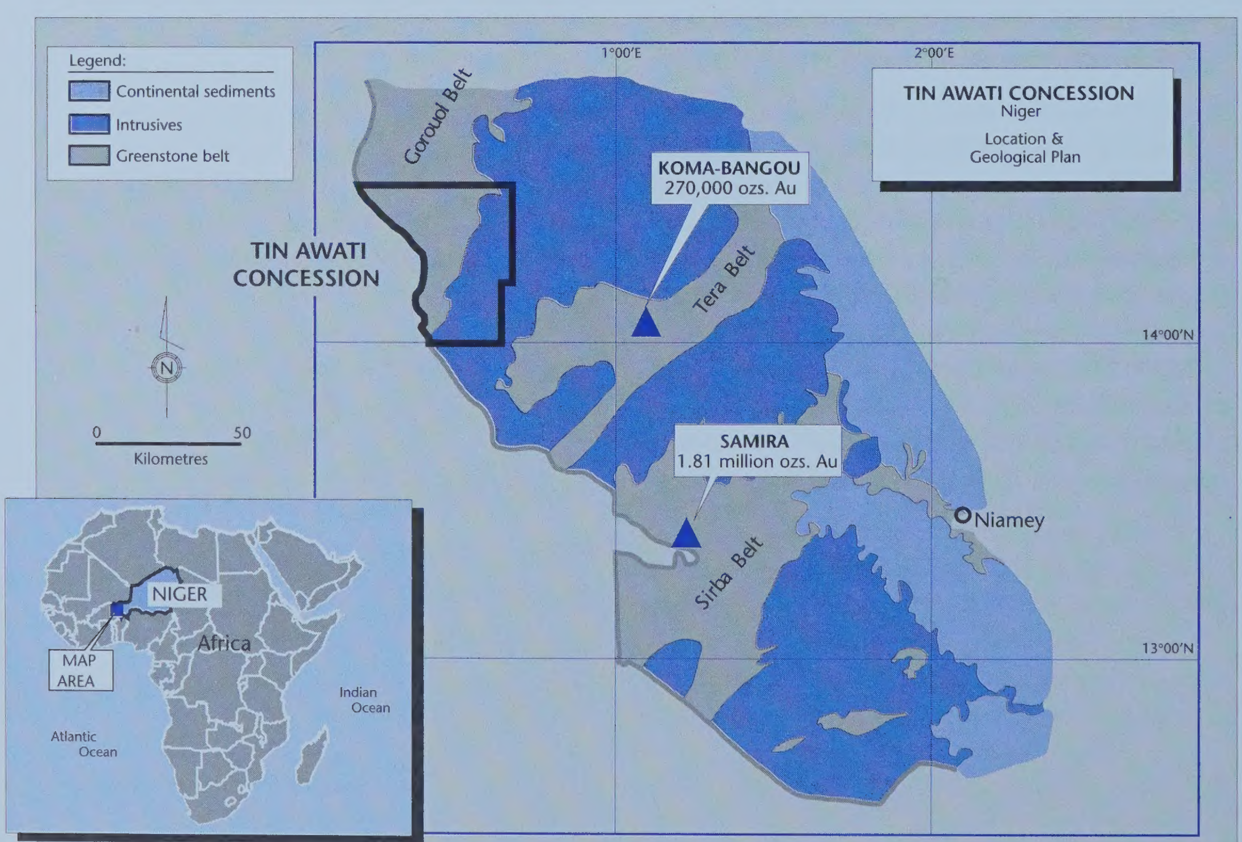
The Tin Awati permit is located in the Tillabery Department, Tera District, county of Bankilaré, in southwestern Niger and covers an area of approximately 1,906 square kilometres immediately adjacent to the border with Burkina Faso.

Under the terms of the joint venture with Proma, EXP has the sole and exclusive right and option to acquire an undivided 60% interest in the Tin Awati concession by spending US$4 million over three years. To the end of 1997, EXP had expended some US$1.6 million in exploration on Tin Awati, and the option remains in good standing.

The present field camp, in the north-central part of the concession, is about 5.5 hours or 280km west-northwest by road from Niamey, the national capital, along metalled or all-weather laterite roads and dirt tracks.

GEOLOGY

The Tin Awati concession is underlain by Birimian (1,900-2,300 million years – Ma) rocks of the Gorouol Greenstone Belt, which were tectonised, metamorphosed and intruded by granitic plutons in the Eburnean orogeny (*ca.* 2,000Ma). Similar Birimian rocks elsewhere in West Africa host major producing gold deposits such as Obuasi (Ashanti – Ghana), Bibiani (Ashanti – Ghana), Sadiola Hill (IAMGOLD/Anglo – Mali) and Syama (Randgold – Mali), deposits under development such as Siguiri (Ashanti – Guinea) and advanced exploration projects such as Taparko (High River/ Incanore – Burkina Faso) which is currently undergoing a feasibility study. All these producing deposits have reserves or resources in excess of two million ounces (M oz) of gold.



Excavating a trench at the Dounga orpaillage

The Tin Awati concession includes several areas of artisanal gold workings. Where the artisanal miners are exploiting quartz veins, the host rocks are mostly metasediments or mafic to felsic metavolcanics and minor intrusives, a package that bears a strong resemblance to the host environments of the major gold deposits found in the Tera and Sirba Belts to the south.

EXPLORATION IN 1997

The first full year of work on the property included a compilation of the data from previous work. The geological map presented here, prepared in 1981, has formed the basis for the Company's work. The field exploration carried out by EXP in 1997 is detailed below.

Prospect Geochemistry

The identification of five major areas of artisanal workings provided the first targets for reconnaissance exploration which was carried out during December 1996 and the early part of 1997. This initial work included surface and pit sampling, and trenching on all the artisanal targets, and rotary air blast (RAB) drilling on three of them (Manda, Koweit and Dounga), with a single sample of the saprolite taken in each hole one metre below the surficial cover.

1. Soulougou

The mineralized zone here consists of narrow white and smoky quartz veins 1.5 to 10cm wide within mafic to intermediate tuffs and argillites (locally manganiferous) which are silicified and altered to sericite schist in places. Grab samples yielded assays of up to 5.29 grams per tonne (g/t) gold from quartz veins, with the host sericite schist showing elevated values up to 2.51 g/t gold locally.

Anomalous gold values were detected in some of the quartz veins and their wall-rocks from the EXP trenches, but did not define a discrete zone.

2. Manda

The geology observed in the Manda workings consists of dark grey to greenish sheared mafic tuffs with minor argillaceous bands, sericite schist and multiple feldspar- and quartz-feldspar-porphyry intrusives that roughly parallel the regional foliation. The best grab sample result from these workings was 0.79 g/t gold, from a 4cm quartz vein.

The analytical results show that the gold mineralization is associated with quartz veins. Anomalous values of up to 16.39 g/t gold were detected in the tuffs, schists and intrusives containing quartz veins which vary in thickness from several mm to about 20cm. A section in trench No.2 averaged 0.256 g/t gold over 17m, including one value of 2.63 g/t gold.

The RAB drill programme showed that the mineralization in the trenches has a limited extent.

3. Dounga

The Dounga workings are located on a 30cm wide quartz vein. The vein appears to be controlled by a fault along the same north-northwest direction. The geology observed consists of argillite, a fine-grained, purplish, pyritic volcano-sedimentary rock and a greyish-green porphyry. Assay results were below the detection limit for gold.

RAB drilling at the Dounga showing defined a weak auriferous zone (30-75 parts per billion – ppb) over an area of 200 x 400m.

4. Koweit

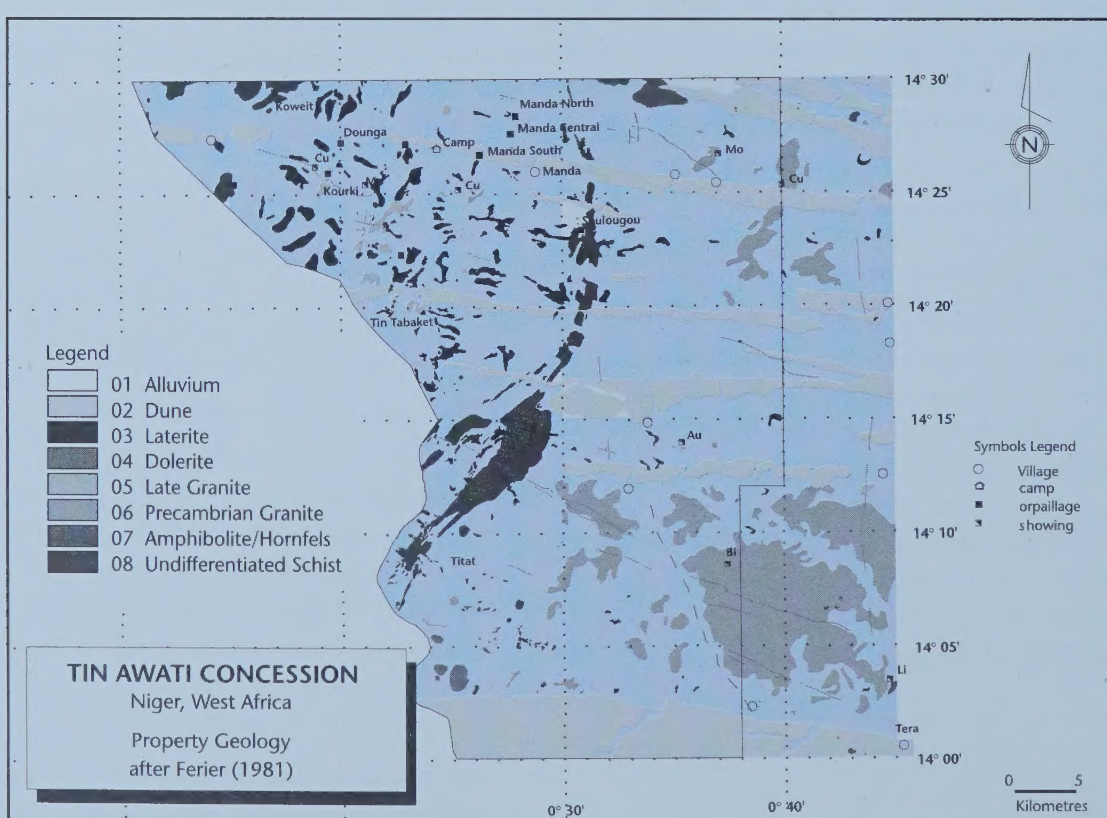
The observed geology of the Koweit orpaillage consists of sheared, biotite-rich pyroxenite intruding tuffs. Six hundred metres of grid lines were laid out and one saprolite sample was taken, which assayed below the detection limit for gold.

The RAB programme showed a weak, discontinuous auriferous zone (30-150 ppb gold) some 200m wide crossing the sample grid. This zone corresponds to the northwest flank of the folded pyroxenite sill.

5. Tin Tabaket

In this area quartz float is common on the western slopes of a small hill, but there was insufficient outcrop or pit exposure of the saprolite to tell if there was any coherent underlying quartz-vein system. A grid was laid out for a RAB drilling program, but the contractor was unable to provide a suitable rig before the onset of the rainy season.

Since the RAB drilling programme was completed it has become apparent that the weathering history of the Tin Awati area may have resulted in strong



Artisanal miners in the Soulougou orpaillage

near-surface depletion of gold and other metals in the saprolite. Such depletion is known to exist in Burkina Faso and Mali and, in conjunction with extensive wind-blown sand cover, has constrained the ability of conventional geochemistry to detect gold anomalies in these areas.

In attempts to overcome some of these problems, innovative geochemical sampling techniques (eg. MMI) have recently been developed to "see through" transported cover such as sand. The lower detection limits of current assaying methods, taken together with these new developments, have ensured that geochemistry remains the technique of choice in the search for gold in West Africa. Given the difficult conditions, however, the typical anomaly threshold values in these areas can often be very low and the resulting anomalies rather subtle.

In the light of these observations, it appears that the RAB drilling carried out by EXP over the areas of artisanal workings may not have sampled the most appropriate medium. Sampling at the bottom of the first metre of saprolite below the lateritic or aeolian cover may, in fact, have been near the top of what may well be a strongly vertically depleted saprolite section.

Airborne Survey

An airborne magnetic and radiometric survey totalling 11,180 km was flown in April, 1997.

The geology interpreted from this survey generally confirmed the previous work, and added considerable detail. Useful structural information was also derived from this survey, and from an initial review of the Landsat data.

In particular, it appears that the thickening of the Soulougou belt (from three kilometres to over seven kilometres) towards the south may be related to a large northward fold closure. Sediment-hosted, sulphide-associated gold deposits such as Samira form one of the most attractive targets for bulk tonnage gold deposits in this area. The main area with potential for a "Samira-style" gold deposit appears to be in the metasediments of the Soulougou belt.

The airborne results also indicate that there are a number of areas on the concession which have the potential to host other types of gold deposits, in particular the copper-gold porphyry type (at Kourki) and those associated with shear zones separating metavolcanics from metasedimentary sequences (at Titat and Tin Tabaket). Several of the largest deposits in West Africa (Obuasi, Bibiani, Taparko) are associated with shear zones separating Birimian metasediments and metavolcanics.

EXP's airborne magnetic survey over the concession detected several bodies with a magnetic signature similar to that of a kimberlite pipe. The Proma mining convention now includes diamond rights.

Reconnaissance Mapping

1. Kourki Centre

At Kourki, molybdenum-copper mineralisation was discovered within the rocks of the Kourki intrusive centre by the Bureau de Récherches de Géologie et Minière (BRGM) in 1966, and it was explored by about a dozen drill holes. The Kourki mineralisation is located in a zone 2.2km in length by 400-600m wide within a narrow northeast-trending band of sericitic schists, and has been described as a roof pendant in (or sandwiched between) multiple intrusives of syenite to granodiorite composition.

Hydrothermal alteration is intense in the mineralised zone and is typified by silica replacement, sericitisation and pyritisation. A rough zonation of metals reported in the deposit supports its classification as a porphyry copper deposit model in a mesothermal setting. Despite the recorded copper and molybdenum assays, EXP found very little surface evidence of sulphides or malachite.

2. Soulougou

The Soulougou artisanal workings are located 5km south-southeast of Manda village in the northeastern part of the Tin Awati concession, in the northern part of what is interpreted from the airborne geophysics as a north-northeast-trending belt of metasediments and volcano-sedimentary rocks.

Crushing rock at Manda

EXP's mapping has confirmed the presence of a 48km long (250 square kilometres in area) steeply dipping arenite to argillite metasedimentary package, with pyrite developed in the argillites, showing similarities to the geology of the Samira deposit 100km to the south. The dominant lithologies in the belt are locally manganiferous argillites intercalated with tuffs, and a metaquartzite/grit unit.

The stratigraphic sequence in the Soulougou belt grades up from a conglomerate/grit unit at the base (west) through arenites to shales and argillites at the top (east). This sedimentary package appears to be overlain to the east by mafic volcanic rocks, which separate it from the Tera batholith further to the east.

The entire sequence is sheared and altered to a sericite schist which contains narrow, white and smoky quartz veins (generally less than 10cm wide but up to 30cm within the orpaillage). Fine free gold is visible in the veins, and is the target of the artisanal mining.

Alluvial Geochemistry

Both alluvial and soil geochemistry are known to have been effective in the discovery of gold deposits in arid and semi-arid terranes in Africa and elsewhere (eg. Youga – 1.6M oz; Syama – 3M oz; Sadiola Hill – 7.5M oz; Boddington – 12.5M oz). A regional alluvial geochemical survey was therefore started in June 1997 on the Soulougou target, but weather permitted only the northern half (approximately 25km) of the belt to be covered. The survey consisted of taking stream sediment samples of about 50kg from each site and air-panning the entire sample in the field to produce a heavy mineral concentrate of about 30g. This was then shipped to the laboratory for gold analysis.

In total, some 2,000 alluvial samples were collected. Although these samples are highly diluted with aeolian sand, and the bedrock portion of the samples may be derived from gold-depleted saprolite, panned concentrate values from these samples often exceed 30 g/t gold and several exceed 300 g/t gold, with two in the 500-600 g/t gold range.

When recalculated back to the original sample weight, the maximum value obtained from these samples is 89 ppb gold, with discrete anomalies being defined by values in excess of 5 ppb gold. This programme has defined 30 multi-station gold anomalies covering areas of up to four square kilometres over the manganiferous argillites and associated rocks of the belt. The values in these anomalies appear to be at a similar level to those found over, for example, the Boddington orebody in Australia, and to those encountered in the vicinity of the Samira deposit, which is very encouraging and justifies substantial follow-up work.

CONCLUSIONS

The known gold zones on the Tin Awati property were all discovered and exploited by artisanal miners. The largest artisanal mining sites are Soulougou, Manda, Tin Tabaket and Dounga, with Manda being the most active at present. The gold being exploited by the artisanal miners is found in discrete quartz veins and stockworks, or as nuggets at the base of the laterite or in transported soil horizons.

The initial field work carried out by EXP, which was focussed on the artisanal gold workings, was unable to demonstrate that these areas are directly associated with significant bedrock gold mineralisation. Enhanced gold values in certain areas of these workings suggest, however, that there still is the potential for finding a deposit in their vicinity, particularly taking into account the likelihood of surface depletion of metals in the saprolite. The trenching on the Soulougou orpaillage demonstrated a gold association with pyritic schist within the sedimentary belt, a similar style of mineralisation to that reported at the Samira deposit.

The preliminary interpretation of the airborne data has allowed better definition of the geology of the concession. This interpretation has helped to explain the location of the known gold showings by their relation to the lithologies and regional shearing and faults.

The airborne survey has indicated that the main areas with potential for a "Samira-style" gold deposit are in the metasediments of the Soulougou belt, in the Tin Tabaket area where mafic volcanics/intrusives occur within a metasedimentary sequence, and in the Titat area where a volcanic belt is in contact with metasediments. Sediment-hosted sulphide-associated gold deposits like Samira form one of the most attractive targets for bulk tonnage gold mines in this area and will be a particular focus of ongoing exploration.

There is also considerable potential for shear zone-associated gold mineralisation on the property, in addition to the classic volcanic/sedimentary domain boundary mineralisation found elsewhere in West Africa. The Kourki area remains an enigma. Despite the reported "resources" (by BRGM) there is a lack of obvious copper mineralisation at surface, and the gold potential is so far untested.

The alluvial geochemical survey has produced a number of well defined anomalous target areas. Several of these areas are associated with extensive laterite duricrust, each being drained by multiple anomalous sites. These areas clearly warrant follow-up, with detailed geological mapping and RAB drilling to sample bedrock upstream of the anomalies.

FUTURE WORK

The next phase of exploration, budgeted at Cdn$500,000, will be focussed on priority target areas **Soulougou, Tin Tabaket, Kourki** and **Titat**. Some lie in areas of extensive termite mounds, and sampling of these mounds will be part of the initial follow-up. Methods such as MMI will be tested on and around the artisanal workings, which are covered with wind blown sand, laterite, and alluvial material.

Work on these areas is scheduled to start in the first half of 1998 with follow-up termite mound geochemistry at Soulougou, Tin Tabaket and Kourki, soil geochemistry at Soulougou, Tin Tabaket, Kourki and Titat and orientation MMI surveys at Soulougou and Tin Tabaket. Initial reconnaissance over the entire concession will also be completed in this phase.

A 1,000m follow-up RAB drilling programme, included in the above budget, is designed to sample saprolite to a depth of over 20m (i.e. to test the degree of gold depletion) in a series of fences on the identified targets. This programme is expected to lead to the definition of diamond drill targets for the next phase of work, scheduled for the second half of 1998.

Local miner air-panning at Manda

In 1996, the Company changed its fiscal year end from June 30 to December 31, with effect from July 1, 1996. The accompanying financial statements present balance sheets as at December 31, 1997 and 1996 (the date to which annual financial statements were last prepared and presented to shareholders), together with statements of loss and deficit and of changes in financial position for the year ended December 31, 1997, for the six-month period ended December 31, 1996, and for the year ended June 30, 1996.

In mid 1996 the management of your Company changed entirely, the share capital was consolidated on a one-for-six basis and the Company's name was changed from Explogas Inc. to EXP Resources Ltd. In addition, the Company secured an option to earn an interest in a large mineral concession in the Republic of Niger in West Africa, and began work to earn its interest. The information for the year ended June 30, 1996 is required by regulation to be presented, but since it reflects the results of discontinued operations it is not useful for comparison purposes, or as a predictor of future results. The information for the six-month period to December 31, 1996 shows the results of the reorganization of the Company's affairs and the start-up of operations in the Calgary, Alberta, office and in Niger. It too has limited value for comparison purposes and as an indicator of the nature and extent of future operations. Since September 1997, the Company's Executive Office and geological staff have been located in Toronto and corporate and administrative services are provided from Calgary.

Financial Condition

At December 31, 1997, the Company had $29,417 in cash in contrast to December 31, 1996 when it had cash of $651,350. In the second half of 1996 the Company raised $1,474,044 in new financings. These financings enabled the Company to begin exploration activities on the Tin Awati mineral concession in Niger and by December 31, 1996 the Company had spent $556,987 on exploration in Niger. In the 12 month period to December 31, 1997 the Company raised an additional $742,989 (net of expenses of $64,511) by issuing Special Warrants and $18,333 through the exercise of stock options.

The Company continued its exploration program in 1997 spending $113,187 on equipment and $1,512,276 on exploration. In addition, the Company incurred operating expenses of $370,987. This resulted in a substantial increase in accounts payable to nearly $750,000 at December 31, 1997.

Since year end the Company has pursued further financings, through the proposed takeover of an Ontario private company with $420,000 in cash and a mineral property, and is in discussions with several groups regarding additional private placements. There is no guarantee that any of these transactions will be completed. Also in March 1998 the Company issued 7,900,000 Special Warrants at $0.10 per Warrant to raise $790,000 with the intent of settling the accounts payable. This transaction is subject to shareholder and regulatory approval. Subject to the risks inherent in depending on completing these financings or, alternatively, in finding private financing, the Company's financial position has been improved since December 31, 1997.

Operations

During the year ended June 30, 1996 the Company discontinued its previous operations and disposed of its interests in its subsidiaries. The six-month period to December 31, 1996 shows total expenses of $115,774 of which approximately $80,000 were further reorganization costs that did not recur in the year 1997. The $35,000 of administrative, professional and shareholder costs incurred in the six months to December 31, 1996 were not indicative of the costs for such activities for the year 1997, since operations did not get fully underway until well into

the last quarter of 1996. For the full year 1997, administrative costs amounted to $220,903 (6 month period in 1996 $25,799) and professional fees to $44,666 (6 month period in 1996 $9,100). In addition, the Company's shares were relisted on the Alberta Stock Exchange in 1997 and shareholder costs for the year 1997, at $32,738, were substantially in excess of the $2,875 charged in the six-month period.

When the year 2000 arrives many computer systems and date-sensitive microprocessor devices may have problems, or may even fail completely, because they were designed to use two digits for the year instead of four (e.g. December, 1997 is 12/97). Therefore January 1, 2000 will be written 01/01/00 and may be meaningless to a computer, causing errors or failures. At this time the Company believes it has no significant exposure to this risk. Its accounting systems are fully prepared for 2000, and it has no operations that depend on microprocessors and the like. There are no significant suppliers or other entities with whom the Company transacts business who are likely to have year 2000 problems that would have an impact on the Company's business. There have been no expenditures on this matter, and none are expected. If there are any such costs, they will be expensed as incurred.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of EXP Resources Ltd. as at December 31, 1997 and 1996, and the statements of loss and deficit and changes in financial position for the year ended December 31, 1997, and for the six month period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996, and the results of its operations and the changes in its financial position for the year ended December 31, 1997, and for the six month period ended December 31, 1996.

The financial statements for the year ended June 30, 1996, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated October 10, 1996.

KPMG

Chartered Accountants
Calgary, Canada
May 13, 1998

BALANCE SHEETS

	December 31 1997	December 31 1996
ASSETS		
Current assets		
Cash	$ 29,417	$ 651,350
Accounts receivable	41,770	18,213
	71,187	669,563
Property and equipment		
Vehicles and field equipment	132,601	51,750
Office equipment	81,141	48,805
	213,742	100,555
Deduct accumulated depreciation	(49,784)	(3,771)
	163,958	96,784
Deferred exploration costs *(Note 4)*	2,018,492	460,203
	$ 2,253,637	$ 1,226,550
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 273,759	$ 67,362
Due to related parties *(Note 6)*	471,495	41,140
	745,254	108,502
Shareholders' equity *(Note 7)*		
Share capital	2,009,087	1,870,754
Special Warrants	1,737,989	995,000
Property acquisition *(Note 4)*	–	120,000
	3,747,076	2,985,754
Deficit	(2,238,693)	(1,867,706)
	1,508,383	1,118,048
Contingencies and commitments *(Notes 1 and 8)*		
Subsequent event *(Note 9)*		
	$ 2,253,637	$ 1,226,550

See accompanying notes to the financial statements

On Behalf of the Board,

Neil D. S. Westoll, Director

Clifford M. James, Director

STATEMENTS OF LOSS AND DEFICIT

	Year ended December 31, 1997	Six months ended December 31, 1996	Year ended June 30, 1996 *(Discontinued operations Notes 1 & 2)*
Revenue			
Interest	$ 449	$ 1,600	$ 3,720
Expenses			
Administrative costs	220,903	25,799	38,281
Management fees	73,129	–	–
Reorganization costs	–	78,000	116,822
Professional fees	44,666	9,100	–
Transfer agent and shareholder costs	32,738	2,875	–
	371,436	115,774	155,103
Loss on disposal of subsidiary	–	–	1,424,885
	371,436	115,744	1,579,988
Loss for the period	(370,987)	(114,174)	(1,576,268)
Deficit at beginning of period	(1,867,706)	(1,753,532)	(128,192)
Dividends	–	–	(49,072)
Deficit at end of period	$ (2,238,693)	$ (1,867,706)	$ (1,753,532)
Loss per share	$ (0.04)	$ (0.06)	$ (1.29)

See accompanying notes to the financial statements

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year ended December 31, 1997	Six months ended December 31, 1996	Year ended June 30, 1996 *(Discontinued operations Notes 1 & 2)*
Operating Activities			
Loss for the period	$ (370,987)	$ (114,174)	$ (1,576,268)
Items not affecting cash			
Loss on disposal of subsidiary	–	–	1,424,885
	(370,987)	(114,174)	(151,383)
Net change in working capital components	–	–	107,690
Net change in working capital related to discontinued operations	–	–	1,200
	(370,987)	(114,174)	(42,493)
Investing Activities			
Purchase of property and equipment	(113,187)	(100,555)	–
Deferred exploration costs, less depreciation	(1,512,276)	(456,432)	–
Net change in working capital components	613,195	(151,533)	–
Proceeds on disposal of subsidiary	–	–	49,072
Repayment of advances to subsidiary	–	–	(65,311)
	(1,012,268)	(708,520)	(16,239)
Financing Activities			
Issue of shares for cash and debt conversion	18,333	359,044	–
Issue of shares for property *(Note 4)*	–	120,000	–
Share subscriptions received (net of expenses)	742,989	995,000	–
Fair value of property distributed as dividend	–	–	(49,072)
	761,322	1,474,044	(49,072)
Increase (decrease) in cash	(621,933)	651,350	(107,804)
Cash at beginning of period	651,350	–	107,804
Cash at end of period	$ 29,417	$ 651,350	$ –

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

1. Nature of operations

In April, 1996, the Company disposed of its subsidiary Alberta Co. to Explogas Ltd., another subsidiary of the Company, for 7,340,872 common shares of Explogas Ltd. These shares were then distributed as a dividend to the shareholders of the Company. As a result, the Company has no interest in either Alberta Co. or Explogas Ltd.

Effective July 26, 1996 the Company changed its name from Explogas Inc. to EXP Resources Ltd., and consolidated its then outstanding shares on a one-for-six basis. The directors and officers resigned thereafter and new management took over the operations of the Company.

The Company is engaged in the mineral exploration and development business in West Africa, and has acquired the right to earn an interest in a mineral concession in the Republic of Niger. The Company has not determined whether the Concession contains ore reserves that are economically recoverable.

The recoverability of amounts shown for deferred exploration costs is dependent upon the sale of an interest in the property, the discovery of economically recoverable reserves, confirmation of the Company's interest in the Concession, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or proceeds from operations.

These financial statements have been prepared on a basis which assumes that the carrying value of the assets will be realized and the liabilities will be settled in the normal course. These financial statements do not include the adjustment to the amount and classification of assets and liabilities that would be necessary if the Company was not able to continue its present business plan.

2. Discontinued operations

The Company's operations for the year ended June 30, 1996, reflect the results of a re-organization of the Company and the distribution of the shares in the Company's then subsidiary to shareholders of the Company by way of dividend. All of the revenues and expenses for the year ended June 30, 1996, relate to discontinued oil and gas operations. Accordingly, the results of operations and changes in financial position for that year are not indicative of the Company's present and future operations.

3. Significant accounting policies

(a) *Deferred exploration costs*

The Company records its interests in mineral properties at cost. Such costs, relating to acquisition, exploration and administration, are capitalized as separate areas of interest. When a property is brought into production the costs will be amortized using the unit-of-production method based on that property's estimated ore reserves. If a property is abandoned, capitalized costs are charged to operations in the year of abandonment.

(b) *Property and equipment*

These are recorded at cost. Depreciation, all of which has been capitalized, is provided using the straight line method at rates chosen to amortize their costs, less any estimated salvage or residual values, over their estimated useful lives at the following rates:

Vehicles and field equipment	30%
Office equipment	30%

(c) *Foreign currency translation*

Monetary assets and liabilities are translated at the rates of exchange at the balance sheet dates. Non-monetary assets and liabilities are translated at the rates in effect at the dates the assets or liabilities were acquired. Revenues and expenses are translated at the average rates of exchange during the month in which they are recognized. The resulting gains or losses are included in earnings, except that (i) gains or losses resulting from transactions designated as hedges are included as part of the item being hedged, and (ii) foreign exchange gains or losses arising on translation of long-term monetary assets and liabilities are deferred and amortized over their remaining term.

4. Property acquisition

On October 28, 1996, the Company entered into a contract with Proma Minerals A.S. ("Proma"), the holder of the Tin Awati mineral concession in the Republic of Niger, under which the Company has the right to earn a 60% interest in the Concession by spending US$4 million (Cdn$5.76 million) on the Concession over a period of three years. The purchase price of this right was US$50,000 (Cdn$69,000) in cash and 1,200,000 common shares of the Company at $0.10 per share. The cash and share consideration, plus associated legal, travel and other costs, have been included in the schedule of deferred costs.

Additional consideration will be payable, in cash or common shares at the Company's option, at the rate of US$20 per mineable ounce of gold in excess of 500,000 mineable ounces as shown in a feasibility study for the initial deposit (if any) discovered on the Concession. For any further discovery on the Concession, similar additional payments will be made on mineable ounces in excess of 350,000 ounces.

If any deposit is taken to the exploitation stage the government of Niger is entitled to acquire at no cost a 5.5% royalty and a 10% equity interest.

Deferred exploration costs are:

	December 31 1997	*December 31* 1996
Property acquisition	$ 212,650	$ 212,650
Consulting	475,261	101,734
Field supplies	78,806	29,535
Travel	75,659	18,747
Investigation and development	490,097	–
Office and administration	636,235	93,766
Depreciation	49,784	3,771
	$ 2,018,492	$ 460,203

5. Financing with related parties

Tin-Awati Minerals Ltd., a company controlled by Mr. C.M. James (who is a director of EXP Resources Ltd.), is at the date hereof the controlling shareholder of EXP Resources Ltd. During the six month period ended December 31, 1996, Tin-Awati and another director advanced a total of $190,000 to the Company to allow it to pay its creditors. The Company issued convertible debentures to secure these advances and on October 25 and December 20, 1996, the debentures were converted into an aggregate of 1,900,000 common shares at $0.10 per share. No interest was paid on the advances.

The Company completed a private placement of 95,000 common shares on November 20, 1996, for $0.10 per share. Twelve of the 50 placees are related to directors and officers of the Company. These 12 placees acquired an aggregate of 24,000 common shares of the Company.

6. Related party transactions

(a) On January 29, 1997, Rift Resources Ltd. subscribed for 2,000,000 Special Warrants of the Company. Rift now owns approximately 19% of the Company's shares. Four of the five directors of Rift, and Rift's Chief Financial Officer, are also directors and the Chief Financial Officer of EXP Resources Ltd.

An amount of $70,268 due to Rift at December 31, 1997 (1996 – $41,140), represents an advance to the Company by Rift and has been repaid to Rift.

(b) As at December 31, 1997, an amount of $127,171 (1996 – $1,162) is due to a management services company beneficially owned by Mr. C.M. James (a director of EXP Resources Ltd.) for the services of Mr. James. During 1997, $23,190 (1996 – $20,000) was incurred for management services and $76,015 (1996 – $20,000) for geological and exploration services provided by Mr. C.M. James and another consultant.

(c) At December 31, 1997, the Company owed $236,209 (1996 – $nil) to TVI Pacific Inc. (mainly cost recoveries for salaries and office costs), $26,903 (1996 – $nil) to Proma Minerals A.S. (service agreement) and $10,944 (1996 – $nil) to TG World Energy Inc., Niamey (for cash advanced to the Niamey office).

7. Share capital

At December 31, 1997, the authorized capital consisted of an unlimited number of common shares of no par value and an unlimited number of preferred shares of no value. On July 26, 1996, the authorized and issued share capital was consolidated on a one-for-six basis.

Details of shares issued and outstanding are:

	Shares	*Stated Value*
Outstanding at July 1, 1995	7,340,872	$ 1,661,710
Adjustment arising from disposal of subsidiary	–	(25,000)
Outstanding at June 30, 1996	7,340,872	1,636,710
Consolidation on July 26, 1996	1,223,481	–
Issued to directors *(Note 6)*	500,000	50,000
Private placement, for cash *(Note 5)*	95,000	9,500
Conversion of debentures *(Note 5)*	1,900,000	190,000
	3,718,481	1,886,210
Deduct share issue costs	–	15,456
Outstanding at December 31, 1996	3,718,481	$ 1,870,754
Shares issued for property *(Note 4)*	1,200,000	120,000
Stock options exercised	183,332	18,333
Outstanding at December 31, 1997	5,101,813	$ 2,009,087

Beginning in 1996 and continuing in 1997 the Company completed private placements of Special Warrants as follows:

	Special Warrants	*Stated Value*
Placement originated in 1996	3,980,000	$ 995,000
Additional proceeds in January 1997	1,550,000	387,500
	5,530,000	1,382,500
Placement in April 1997	300,000	90,000
Placement in September 1997	1,000,000	330,000
Issue costs incurred in 1997	–	(64,511)
	6,830,000	$ 1,737,989

Each Special Warrant entitles the holder to receive, for no additional proceeds, one common share of the Company and one half of one share purchase warrant.

At December 31, 1997, the Company had outstanding Share Purchase Warrants exercisable at various dates and prices, as follows:

Purchase Warrants	*Exercise Price*	*Expiry*
2,765,000	$0.30	February 4, 1999
500,000	0.40	September 5, 1998
150,000	0.40	April 18, 1999
3,415,000		

Options to purchase 1,174,848 shares at prices of $0.10 to $0.23 each, expiring December 23, 2001, and October 21, 2002, have been granted to directors, officers and employees.

Shares reserved for issue at December 31, 1997, amounted to:

Special warrants	6,830,000
Share Purchase Warrants	3,415,000
Options	1,174,848
	11,419,848

Subsequent to December 31, 1997, the Company issued 5,830,000 common shares on the exercise of 5,830,000 Special Warrants.

8. Commitments

(a) Under its agreement with Proma the Company is required to make total expenditures of US$4.0 million (Cdn$5.76 million) on the Tin Awati concession as follows:

1997	US$1,200,000
1998	1,350,000
1999	1,450,000
	US$4,000,000

(b) At the same time as it entered into the property acquisition agreement with Proma, the Company also agreed to pay US$10,000 (Cdn$14,400) per month to Proma for the use of a fully furnished multi-bedroom combination residence/office facility, an automobile, certain aviation services and the services of household and security staff in Niamey, Niger.

(c) The Company rents its offices on a long term lease. The minimum payments for the next five years are approximately $31,500 per annum.

9. Subsequent Event

In March, 1998, the Company issued 7,900,000 units at $0.10 each, subject to shareholder approval. Each unit entitles the holder to one common share at no extra cost and one half of a Share Purchase Warrant. Each Share Purchase Warrant entitles the holder to purchase one common share for $0.18 until October 31, 1998.

10. Fair value of financial instruments

As at December 31, 1997 and 1996, the fair values of the financial assets and financial liabilities of the Company were not significantly different from their carrying values.

CORPORATE INFORMATION

DIRECTORS

Neil D. S. Westoll – President and Chief Executive Officer

Toronto, Ontario

Dr. Westoll holds B.Sc. and Ph.D. degrees in geology. He is a professional geologist, mining and business executive with over 28 years experience in the mining industry, and has worked with major companies, junior companies and consulting groups. Dr. Westoll is a Director of Rift Resources Ltd. He currently serves as Chairman of the Toronto Branch of the Canadian Institute of Mining, Metallurgy and Petroleum.

Clifford M. James – Chairman

Calgary, Alberta

Mr. James holds B.Sc. and M.Sc. degrees in geology. He is a professional geologist and a mining business executive with over 30 years of technical and financial experience in the resource sector. Mr. James is a founding director and major shareholder of the Company. He is Chairman and Chief Executive Officer of TVI Pacific Inc. and serves as a Director of Rift Resources Ltd. and Trego International Inc.

Wilfrid A. Loucks – Director

Calgary, Alberta

Mr. Loucks holds a B.Sc. degree in geological engineering. He has been involved in petroleum and mining exploration for over 30 years. Mr. Loucks is Chairman and Secretary of Rift Resources Ltd., President of DMR Resources Ltd. and of Trego International Inc., and a Director of TVI Pacific Inc. and Westall Resources Ltd.

Terence N. McKillen – Director

Toronto, Ontario

Mr. McKillen holds B.A., M.A. and M.Sc. degrees in geology. He is a professional geologist, mining and business executive with 30 years experience in the mining industry. Mr. McKillen is President, Chief Executive Officer and a Director of Rift Resources Ltd., and a Director of Irish Marine Oil PLC.

OFFICERS AND SENIOR MANAGEMENT

Ronald J. Simpson – Treasurer and Secretary

Calgary, Alberta

Mr. Simpson is a chartered accountant with many years of experience in public practice in Britain and Canada. He has been involved exclusively in the mining business since 1983, and currently holds the positions of Senior Vice President, Finance and Administration, of TVI Pacific Inc. and Chief Financial Officer of both Rift Resources Ltd. and Trego International Inc.

Yvan Bussières – Exploration Manager

Niamey, Niger

Mr. Bussières holds a B.A.Sc. in geological engineering. He is a professional geologist with 20 years experience in the mining industry. Mr. Bussières has worked extensively in West Africa and Canada for major and junior companies, and for consulting groups.

Martin Taylor – Manager, Special Projects

Toronto, Ontario

Mr. Taylor holds a B.Sc. degree in geology. He is a professional geologist with over 27 years of experience in the mining industry. Mr. Taylor has extensive exploration experience in West Africa, the Middle East, the Philippines and North America.

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Auditors

KPMG
Calgary

Legal Counsel

Bennett Jones Verchere, Calgary

Bank

Hongkong Bank of Canada

Transfer Agent

Montreal Trust, Calgary

Reporting Issuer

Alberta

Stock Exchange

Alberta – Trading symbol: EXP

Annual Meeting

The Annual and Special Meeting of the Company will be held at 3:00 p.m. on Monday, June 22, 1998 at The Calgary Petroleum Club, 319-5th Avenue S.W., Calgary, Alberta

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